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Introduction

401(k) Plan Chapter: Introduction

The Merrill Lynch & Co, Inc. 401(k) Savings & Investment Plan is a convenient way to build long-term savings. Merrill Lynch is your partner in this effort, contributing with you.

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- Administrative/Legal Information
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- **Printer-Friendly Version of Entire 401(k) Plan Chapter**



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Facts First

Highlights of the Merrill Lynch & Co., Inc. 401(k) Savings & Investment Plan

Eligibility and Enrollment	<p>You become eligible to participate in the Merrill Lynch & Co., Inc., 401(k) Savings & Investment Plan ("401(k) Plan") as soon as you begin working for Merrill Lynch. You will automatically receive your enrollment materials; usually just prior to, or soon after, your first day of work. You can also view the enrollment materials online by accessing the Leadership & Talent Management (LTM) website on WorldNet. Once you review the materials, you may enroll by accessing Benefits OnLine® at www.benefits.ml.com or by calling the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. If you are outside the U.S., call 609.818.8817 collect to speak with a representative.</p>
Your 401(k) Contributions	<ul style="list-style-type: none"> • Pretax Contributions: You may save from 1% to 25% of your eligible compensation, on a pretax basis, up to a maximum 401(k) contribution of \$15,500 in 2007. Different limits apply to employees in Puerto Rico. • Roth (after-tax) Contributions: You may save from 1% to 25% of your eligible compensation on an after-tax basis, up to a maximum 401(k) contribution of \$15,500 in 2007. (Residents of Puerto Rico cannot elect Roth 401(k) contributions.) • Combined Pretax and Roth (after-tax) Contributions: you can make combined contributions; however, our combined contributions cannot exceed the maximum rate of 25% of your eligible

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	<p>compensation or the maximum dollar limit of \$15,500 for 2007.</p> <ul style="list-style-type: none"> • Catch-up Contributions (Pretax, Roth [after-tax] or a combination of the two): If you are 50 or older and contributing the maximum, you may save an additional 1% to 25% of your eligible compensation, up to a maximum catch-up contribution of \$5,000 in 2007. • After-tax Contributions: In addition to your Pretax and Roth (after-tax) savings, you can contribute an additional 1% to 25% of your eligible compensation up to an annual 401(k) After-tax Plan maximum of \$10,000 in 2007.
Merrill Lynch Matching Contributions	<p>After one year of service, Merrill Lynch matches dollar-for-dollar the first 4% of eligible compensation you contribute to your 401(k) Plan account, up to an annual maximum Merrill Lynch Matching Contribution of \$3,000. (If your eligible compensation is equal to or exceeds \$300,000 for the prior plan year, the annual company contribution is limited to \$2,000.) Merrill Lynch does not match After-tax or Catch-up contributions.</p>
Tax-Deferred Savings	<p>You pay no taxes on your 401(k) Plan account balance while it remains in the plan.</p> <ul style="list-style-type: none"> • Pretax: Contributions and associated earnings accumulate tax deferred until they are paid out to you. • Roth: Contributions are made on an after-tax basis. Withdrawals of your contributions and associated earnings are tax-free, provided you meet the requirements of a qualified distribution. • After-tax: Associated interest and earnings on your after-tax contributions accumulate tax deferred until they are paid out to you. • Company Matching contributions and their earnings are always taxable upon distribution.
Investment Choices	<p>You can choose from a number of investments. For a description of investments, see Descriptions of</p>

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	Investment Choices, available on the 401(k) Info Center site, accessible via a link on the Leadership & Talent Management (LTM) website, or call the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. If you are outside the U.S., call 609.818.8817 collect to speak with a representative.
Vesting	<p>Vesting means you have ownership of the value of your 401(k) Plan account.</p> <ul style="list-style-type: none"> • Your pretax, Roth, After-tax, Catch-up and rollover contributions and associated earnings are always 100% vested. Merrill Lynch Matching contributions and earnings become vested gradually over five years (20% per year). • As of May 8, 2003, dividends paid on the shares of Merrill Lynch common stock held in your 401(k) ESOP account are 100% vested, regardless of your length of service. You can elect to have the dividends on those shares paid in cash directly to you (outside the plan) or you can choose to have the dividends reinvested in Merrill Lynch shares within the 401(k) ESOP account. If you make no election, your Merrill Lynch dividends will be reinvested. These dividends are called pass through dividends. If you elect to receive dividends directly, the amount paid will be taxable at ordinary income rates.
Loans	You can borrow from your 401(k) Plan account. Generally, loan repayments are made through payroll deductions.
Withdrawals	Withdrawals are available on a limited basis. There are two types of withdrawals - nonhardship and hardship withdrawals. Different rules and restrictions apply to each.
Receiving a Distribution	You can elect to receive your vested 401(k) Plan account balance one month after you retire or terminate. Several distribution options are available.

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	Once you have enrolled in the 401(k) Plan, you can elect to have the dividends on Merrill Lynch common stock paid in cash directly to you (outside the plan) or you can choose to have those dividends reinvested in Merrill Lynch shares within the 401(k) ESOP account. If you make no election, your Merrill Lynch dividends will be reinvested. These dividends are called pass through dividends.
In Case of Your Death	Your beneficiary receives your 401(k) account balance after your death. Several distribution options are available.
Other Accounts in the 401(k) Plan	In addition to the 401(k) Plan account, the 401(k) Plan also includes the following accounts: <ul style="list-style-type: none"> • 401(k) ESOP account • Deferred Profit Sharing account and • Vocon account.
Accessing Information	You may access your account and investment information: <ul style="list-style-type: none"> • Online <ul style="list-style-type: none"> ◦ Go to Leadership & Talent Management (LTM) website and look for the My Compensation & Benefits link, or ◦ Visit Benefits OnLine® at www.benefits.ml.com • By calling the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. If you are outside the U.S., call 609-818-8817 collect to speak with a representative.

Important information about the administration of the Merrill Lynch 401(k) Savings & Investment Plan, including your legal rights and what to do if a claim is denied, can be found in Administrative Information.

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Who Is Eligible

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Who Is Eligible

You are eligible to participate in the Merrill Lynch Inc., Co. 401(k) Savings & Investment Plan – the 401(k) Plan – if you are:

- An employee of Merrill Lynch & Co., Inc. or an eligible affiliate and you are employed in the U.S. (including the Virgin Islands, Guam and Puerto Rico), or
- A U.S. citizen or U.S. permanent resident alien (green card holder) whom Merrill Lynch & Co., Inc. has determined, for benefit purposes, to be on temporary assignment, and you work in a country where Merrill Lynch has determined it is feasible to offer 401(k) participation. For more information, see If You Work Outside the U.S.

You are not eligible to participate if you are part of any group or classification of employees that Merrill Lynch has excluded or if you are a leased employee or an independent contractor. See the *Glossary* for the definitions of leased employee and independent contractor.

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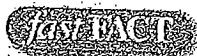
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Enrollment

Your enrollment materials will be automatically mailed to your home shortly before or immediately following your first day of work. You also can view the enrollment materials online by accessing the Leadership & Talent Management (LTM) website via WorldNet. You can enroll in the 401(k) Plan approximately seven business days after your start date. You should review the enrollment materials before making your enrollment decisions.

To enroll, access Benefits OnLine[®] at www.benefits.ml.com or call the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. If you are outside the U.S., call 609.818.8817 collect to speak with a representative.

Note: Depending on when you enroll, it may take up to two pay periods for your 401(k) Plan contributions to begin.



WHEN CAN I ENROLL?

You can enroll in the 401(k) Plan approximately seven business days after your start date. You should review the enrollment materials before making your enrollment decisions. To enroll, access Benefits OnLine[®] at www.benefits.ml.com or call the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. If you are outside the U.S., call 609.818.8817 collect to speak with a representative.

Your Enrollment Decisions

To enroll, you must:

- Elect the percentage of eligible compensation you want to contribute. For more information, see Your 401(k) Contributions.
- Choose how you want all contributions to your 401(k) Plan account invested. For more information, see Investing Your 401(k) Plan Account Balance.

If you do not indicate any investment direction, or if your investment direction does not equal 100%, your enrollment will not take effect.

After you enroll, you will receive confirmation of the percentage you elected to contribute and your investment direction.

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Note: Each time you make an election (e.g., to enroll or to make a change), you authorize Merrill Lynch to execute each transaction as if you had given the company a signed authorization to do so.

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Your Beneficiary

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Your Beneficiary

Your beneficiary receives the value of your 401(k) Plan account if you die before that account is distributed. See the *Glossary* for the definition of beneficiary. The following beneficiary designations are automatic for your 401(k) Plan account:

- **If you are married** – Your beneficiary is automatically your spouse, unless you designate another beneficiary and your spouse provides written, notarized consent.
- **If you are not married (or if you are legally separated)** – Your beneficiary is automatically the beneficiary you designate for your Merrill Lynch Basic Group Life Insurance Plan, unless you designate another beneficiary. However, your 401(k) Plan account balances will be paid to your estate if you have not designated a Basic Group Life Insurance Plan beneficiary, have assigned your Basic Group Life Insurance, or no longer have Basic Group Life Insurance coverage.

Note: If you have a VOCON and/or Deferred Profit Sharing account in addition to your 401(k) account, you can make separate beneficiary designation elections.

Be sure to periodically review your beneficiary designations online at the LTM Tools portal, accessible from the Leadership & Talent Management (LTM) website, or whenever you have a life event. For more information, see *Life Events*.

Married Participants Designating Non-Spousal Beneficiaries

If you are married and want to **designate someone other than, or in addition to, your spouse** as a beneficiary, you must complete the Merrill Lynch 401(k) Savings & Investment Plan Beneficiary Designation Form and obtain notarized spousal consent. All other beneficiary designations should be completed online via the LTM Tools portal.

Beneficiary designation forms can be obtained online from the Leadership & Talent Management (LTM) website or by calling the Employee Service Center at 866-654-7411. Completed beneficiary designation forms should be returned to the address noted on the form.

Note: You must complete a beneficiary designation form (non-spousal beneficiary designations) or complete your designations via the LTM Tools portal. **You cannot use another document, such as a will, to designate a beneficiary for your 401(k) Plan account.**

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Your Savings

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Your 401(k) Plan account may contain the following types of contributions:

- Pretax
- Roth (after-tax)
- After-tax
- Merrill Lynch Matching
- Rollover, After-tax Rollover and Trust-to-Trust transferred account contributions.
- Catch-up (Pretax and Roth)

Your Contributions

When you enroll in the 401(k) Plan you may elect to make pretax and after-tax contributions:

- **Pretax Contributions:** You may elect to defer from 1% to 25% of your eligible compensation on a pretax basis, in 1% increments, up to an annual dollar limit determined by the Internal Revenue Service (IRS). For 2007, the annual Pretax limit is \$15,500. The total dollar amount of the Pretax contributions you elect from your eligible compensation (which includes monthly and bi-weekly pay and/or FA Compensation) and incentive compensation award or mid-year analyst bonus, cannot exceed this annual limit. Once you reach this limit, your contributions automatically stop. See the *Glossary* for the definition of eligible compensation.
- **Roth (after-tax) Contributions:** you may also elect to defer from 1% to 25% of your eligible after-tax compensation, in 1% increments, up to an annual dollar limit determined by the Internal Revenue Service (IRS). your combined pre-tax and Roth 401(k) contributions cannot exceed 25% of your eligible compensation (which includes monthly and bi-weekly pay and/or FA Compensation) and are subject to the IRS limit of \$15,500 for 2007. Once you reach this limit, your contributions automatically stop. See the *Glossary* for the definition of eligible compensation.
- **Catch-up Contributions (Pretax and Roth):** If you are 50 or older by December 31 and contributing either the maximum rate or the maximum dollar amount for the entire year (25% and \$15,500 respectively for 2007), you may save an additional 1% to 25% of your eligible compensation, up to a maximum (Pretax, Roth or combination) catch-up contribution of \$5,000 in 2007.

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- **After-tax Contributions:** You may elect After-tax contributions from 1% to 25% of your eligible compensation, in 1% increments, up to an annual \$10,000 After-tax contribution limit for 2007. Your total After-tax contribution amount deducted from your eligible compensation (which includes monthly and bi-weekly pay and/or FA Compensation) and January incentive compensation award or mid-year analyst bonus, cannot exceed this \$10,000 annual limit. Once you reach this limit, your contributions automatically stop. See the *Glossary* for the definition of eligible compensation.

Note: If you work in Puerto Rico, you are not eligible to elect Roth contributions. In addition, you may contribute from 1% to 10% of your eligible compensation, up to an annual maximum of \$8,000. For more information, see *If You Work in Puerto Rico*.

Your 401(k) Pretax Contributions are deducted from your pay before taxes (federal and, in most cases, state and local taxes) are withheld. Your 401(k) after-tax contributions are deducted from your pay after taxes have been withheld. Your 401(k) After-tax and Roth Contributions are generally invested in your account on a pay date.



CAN I CHANGE MY 401(k) CONTRIBUTION RATE?

Yes, you can change your 401(k) contribution rate daily by accessing Benefits OnLine® at www.benefits.ml.com or by calling the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. If you are outside the U.S., call 609.818.8817 collect to speak with a representative.

Your Elections

You have the opportunity to choose separate rate elections for your eligible compensation, and in some cases January incentive compensation award or mid-year analyst bonus. These rate election options include:

- **Pretax salary rate election** from 1% to 25% of your eligible compensation, not to exceed the annual dollar limit determined by the IRS (\$15,500 for 2007).
- **Roth salary rate election** from 1% to 25% of your eligible compensation, not to exceed the annual dollar limit determined by the IRS (\$15,500 for 2007). Your combined Pretax and Roth contributions cannot exceed 25% of your eligible compensation, and are also subject to the IRS limit of \$15,500 for 2007.
- **January incentive compensation award or mid-year analyst bonus rate election** from 1% to 25%, not to exceed the annual dollar limit determined by the IRS (\$15,500 for 2007). The combined contributions from your salary and January incentive compensation award or mid-year analyst bonus cannot exceed this annual limit. See the *Glossary* for the definition of bonus award.
- **After-tax rate election** (which is in addition to your Pretax and/or Roth contributions), from 1% to 25%, of your eligible compensation (inclusive of your January incentive compensation award or mid-year analyst bonus) not to exceed the annual dollar limit of \$10,000 for 2007.
- **Catch-up contribution rate election** (if you meet specific age and contribution requirements), from 1% to 25% of your eligible compensation. To be eligible to make Catch-up contributions, you must be at least 50 years old in the year in which you intend to make Catch-up contributions **and** be contributing either:
 - o The maximum rate for the entire year (for 2007 – 25% of your current eligible compensation inclusive of your January incentive compensation award or mid-year analyst bonus), or
 - o The maximum dollar amount for the entire year (\$15,500 for 2007).

If you do not save the maximum contribution (\$15,500 for 2007), then your Catch-up contribution will be

reclassified as Pretax and/or Roth contributions. Similarly, if your regular 401(k) contribution is limited by year-end non-discrimination testing and you otherwise meet the age requirement, your contribution may be reclassified as a Catch-up contribution. See the *Glossary* for the definition of catch-up contribution.

Note: If you choose to make the maximum contributions (Pretax and/or Roth, Catch-up and After tax) to your 401(k) Plan account, it is possible that your take home pay may be significantly reduced.

Changing Your Pretax, Roth and After-Tax Contribution Rates

You may change your Pretax, Roth and After-tax contribution rates from 1% to 25% daily. Depending on when you make your change, it may take up to two pay periods for your election to take effect.

If you work in Puerto Rico, you may change your contribution rate from 1% to 10% daily. Residents of Puerto Rico are not eligible for Roth contributions. For more information, see *If You Work in Puerto Rico*.

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Merrill Lynch Matching Contributions

When you reach your first anniversary, Merrill Lynch automatically contributes dollar-for-dollar (100%) of the first 4% of eligible compensation you contribute, up to an annual Pretax and/or Roth maximum Merrill Lynch Matching contribution of \$3,000. *(If your eligible compensation is equal to or exceeds \$300,000, the ML Matching contributions is \$2,000.)* Merrill Lynch Matching contributions begin with the first pay period paid on or after your first anniversary.

Merrill Lynch matching contributions are invested in your 401(k) Plan account at the same time as your corresponding 401(k) Pretax and/or Roth contributions. Merrill Lynch does not match After-tax or Catch-up contributions.

An Example: Merrill Lynch Matching Contributions

Assume you earn \$35,000 and you contribute 7%, or \$2,450, for the year. Merrill Lynch would contribute an additional \$1,400 annually, provided you were eligible for Merrill Lynch Matching contributions for the entire year:

Your 401(k) Pretax Contributions	$\$35,000 \times 7\%$	\$2,450
Merrill Lynch Matching Pretax Contributions¹	$(\$35,000 \times 4\%) \times 100\%$	\$1,400
Total Pretax Contributions		\$3,850
¹ Merrill Lynch matches 100% of the first 4% of eligible compensation that you contribute to a maximum of \$3,000. <i>(If your eligible compensation is equal to or exceeds \$300,000, the ML Matching contributions is \$2,000.)</i>		

FACT

WHEN DO MERRILL LYNCH MATCHING CONTRIBUTIONS STOP?

Merrill Lynch Matching contributions to your 401(k) Plan account stop if you receive the annual maximum Merrill Lynch Matching contribution of \$3,000 *(\$2,000 if your eligible compensation is equal to or exceeds \$300,000 for the prior plan year)*, when you change your 401(k) Pretax and/or Roth contribution rate to 0% or when you take a hardship withdrawal.

If You Reach the Annual Pretax Contribution Limit

If you reach the annual contribution limit (i.e., \$15,500 in 2007), your Pretax and/or Roth contributions automatically stop. However, you continue to receive Merrill Lynch Matching contributions based on your current Pretax and/or Roth contribution rate until the \$3,000 maximum is reached (\$2,000 if your eligible compensation is equal to or exceeds \$300,000 for the prior plan year). This occurs unless:

- You take a hardship withdrawal, which automatically suspends your 401(k) Pretax and/or Roth contributions and Merrill Lynch Matching contributions for six full calendar months, or
- You change your Pretax and/or Roth contribution rate to 0%.

An Example: How Merrill Lynch Matching Pretax Contributions Are Calculated When You Reach the Annual Contribution Limit

Assume you were hired June 1, 2006. Your base salary is \$100,000 in January 2007 and you are paid bi-weekly. You receive an incentive compensation award in January 2007 of \$25,000. If you elected to contribute 25% of both your salary and bonus to your 401(k) Plan account, you would have reached the \$15,000 annual 401(k) contribution limit in April 2007.

Because you were hired June 1, 2006, Merrill Lynch Matching contributions don't begin until June 2007. Even though your 401(k) contributions stopped in April, you will still receive Merrill Lynch Matching contributions for the remainder of the year, up to a maximum of \$3,000 (\$2,000 if your eligible compensation is equal to or exceeds \$300,000 for the prior plan year).

The chart below shows how Merrill Lynch Matching contributions are calculated when you reach the annual contribution limit.

Eligible Compensation for 2007	Your Pretax 401(k) Contribution Rate	Your Pretax 401(k) Contributions	Merrill Lynch Matching Contributions
\$25,000 – bonus paid in January	25%	\$6,250	\$0
\$33,333 – base salary from January through April	25%	\$8,333.25 ¹	\$0
\$8,333 – base salary in May	25%	\$916.75 ²	\$0
\$58,333 – base salary June through December	25%	\$0 ²	\$2,333.32 ³ (\$58,333 x 4%)
¹ Contributions (January incentive compensation award plus salary) capped at 2007 annual contribution limit of \$15,500. ² \$15,500 annual 401(k) contribution limit met. ³ Merrill Lynch matches 100% of the first 4% of eligible compensation that you contribute to a maximum of \$3,000 (\$2,000 if your eligible compensation is equal to or exceeds \$300,000 for the prior plan year).			

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Rollover Contributions

If you previously participated in a tax-qualified retirement plan, such as a previous employer's 401(k) plan, you generally may roll over all or part of your distribution from that plan – or from a rollover-only IRA – into the Merrill Lynch 401(k) Plan. You can also roll over After-tax contributions:

To make a rollover contribution, you will need to complete a Rollover Form. Forms are available on the Leadership & Talent Management (LTM) website or by calling the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. If you are outside the U.S., call 609.818.8158 collect to speak with a representative. You may make a separate investment election for your rollover contributions.

If you work in Puerto Rico, you may roll over distributions only from a U.S. tax-qualified plan that also is tax-qualified in Puerto Rico. In addition, you must roll over 100% of the distribution amount; partial rollovers are not permitted. For more information, see If You Work in Puerto Rico.

If you work outside the U.S., other restrictions may apply to rollovers in certain countries. For more information, see If You Work Outside the U.S.



WHEN ARE MY MERRILL LYNCH MATCHING CONTRIBUTIONS INVESTED?

Merrill Lynch matching contributions are invested at the same time as your corresponding 401(k) contributions. Your 401(k) contributions generally are invested in your account on a pay date.

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Dollar Contribution Limits

The IRS limits the dollar amount you may contribute each year to 401(k) plans. In 2007, this annual 401(k) Pretax and Roth contribution limit is \$15,500 total. Combined Pretax and Roth contributions cannot exceed the legal limit. The limit for After-tax contributions is 25% of eligible compensation to a maximum of \$10,000.

If you work in Puerto Rico, a different contribution limit applies. For 2007, the limit is \$8,000. For more information, see If You Work in Puerto Rico.

The total annual amount of contributions to both your 401(k) Plan account and your Retirement Program accounts (i.e., Retirement Accumulation Plan and Employee Stock Ownership Plan) also is limited by law. If you are affected, you will be notified.

If You Contribute to More Than One 401(k) Plan in a Year



WHAT IF I CONTRIBUTE TO MORE THAN ONE 401(k) PLAN IN ONE YEAR?

If you contribute to more than one 401(k) plan in one calendar year, it's possible that the sum of your 401(k) Pretax and/or Roth contributions may exceed the annual 401(k) contribution limit. **You must monitor your 401(k) contributions and request a refund if you exceed the maximum (i.e., \$15,500 in 2007 or \$20,500 if eligible for Catch-up contributions).** To request a refund from the Merrill Lynch 401(k) Plan, you must contact the Employee Service Center at 866.654.7411 **before March 31 of the following year.**

If you contribute to more than one 401(k) plan in a year, **you must monitor your 401(k) contributions and request a refund if you exceed the annual contribution limit.** This limit applies to all Pretax and Roth contributions that you make to all 401(k) plans in a calendar year, including catch-up contributions. To request a refund of your excess pretax contributions and their earnings from the Merrill Lynch 401(k) Plan, you must call the Employee Service Center at 866.654.7411 **before March 31 of the following year.**

For example, assume you contributed \$10,500 on a pretax basis to a former employer's plan during 2007. If, after joining Merrill Lynch, you contribute more than \$5,000 pretax to the Merrill Lynch 401(k) Plan during the remainder of 2007, you will exceed the annual 401(k) contribution limit and must request a refund from one of

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the plans. If you want the refund to come from the Merrill Lynch 401(k) Plan, you must call the Employee Service Center at 866.654.7411 before March 31 2008.

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Vesting

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Vesting

Vesting means you have a non-forfeitable right to the value of your 401(k) Plan account, even if you leave Merrill Lynch.

Your pretax and after-tax and rollover contributions and any associated earnings are always 100% vested. In most instances, Merrill Lynch matching contributions and any earnings vest gradually over the course of five years:

Completed Service	Percent Vested
Less than 1 year	0%
1 year	20%
2 years	40%
3 years	60%
4 years	80%
5 or more years	100%

Merrill Lynch common stock dividends are 100% vested, regardless of your length of service, whether you choose to have the dividends paid out to you in cash or reinvested on a tax-deferred basis.

Generally, if you leave Merrill Lynch before you complete five years of service, you are eligible to receive any Pretax and/or Roth Merrill Lynch Matching contributions and earnings that are vested. However, Merrill Lynch Matching contributions become 100% vested, regardless of your length of service, if any of the following occurs:

- You are employed by Merrill Lynch and reach age 65.
- You die while you are employed by Merrill Lynch (100% of your account balance will be paid to your beneficiary).
- Merrill Lynch permanently discontinues both 401(k) Pretax and Roth contributions and Merrill Lynch Matching contributions.
- Merrill Lynch terminates the 401(k) Plan.

See the *Glossary* for the definition of year of service.

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Tax Advantages of 401(k) Savings

Lower Taxable Income with Pretax Contributions

Your Pretax (and, if permitted, Pretax Catch-up) contributions are deducted from your pay before federal and, in most cases, state and local income taxes are withheld. As a result, your taxable income is lower, and you pay less in current taxes.

While your Pretax and Pretax Catch-up contributions reduce your current income taxes, they do not reduce your Social Security taxes or Social Security benefits. They also do not reduce the level of your other pay-related benefits, such as life insurance, disability insurance and retirement benefits.

If you work outside the U.S., you may be subject to non-U.S. tax considerations. For more information, see If You Work Outside the U.S.



ACCOUNT INFORMATION

You receive a quarterly statement that tracks activity in your 401(k) and your Retirement Program accounts during that quarter. Specifically, this statement indicates:

- The total number of shares in your accounts
- Purchases and sales
- Dividend reinvestments, and
- Any other account activity.

If you have questions about your accounts, you should call the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. If you are outside the U.S., call 609.818.8817 collect to speak with a representative.

You may also view your daily account balances online by accessing Benefits OnLine® at www.benefits.ml.com or go to Leadership & Talent Management (LTM) website and look for the My Compensation & Benefits link.

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An Example: The Pretax Advantage

Assume you earn \$35,000 a year and save 7% of your eligible compensation annually. You have the option of saving on a pretax basis through the Merrill Lynch 401(k) Plan or on an after-tax basis through personal savings

Tax Advantages of 401(k) Savings

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outside the plan. Here's the difference:

	401(k) Savings (Pretax)	Personal Savings (After-Tax)
2007 Eligible Compensation	\$35,000	\$35,000
401(k) Contributions (7%)	\$2,450	\$0
Adjusted Gross Income	\$32,550	\$35,000
Federal Income Tax Liability ¹	\$3,193	\$3,560
Social Security Tax ²	\$2,678	\$2,678
After-tax Savings (7%)	\$0	\$2,450
Spendable Current Income	\$26,679	\$26,312
¹ Based on the 2007 federal income tax rates, assuming you are single and take the standard deduction and one exemption.		
² For 2006, this rate is 7.65%. This includes OASDI and Medicare.		

Result: You have \$367 more in spendable income by saving on a pretax basis through the 401(k) Plan than if you had saved the same amount on an after-tax basis outside of the 401(k) Plan.

Tax-Deferred Savings

Another advantage of the 401(k) Plan is that savings accumulate on a tax-deferred basis. You do not pay income taxes on the Pretax, Matching and Rollover contributions that go into the plan on your behalf. (You do pay income taxes on after-tax contributions. Roth contributions are made using "after-tax" compensation.) Additionally, you do not pay income taxes on any interest or earnings on these contributions made to the 401(k) Plan until you take a taxable distribution from your 401(k) Plan account. In fact, you can continue to defer taxes past retirement or termination by deferring the distribution of your 401(k) Plan account balance or rolling over your distribution to another tax-qualified plan or IRA. This keeps your total 401(k) Plan account balance working for you.

Note: On any after-tax contributions that you make, taxes are deferred on any interest or earnings until they are distributed. You are not taxed a second time on your original after-tax contribution.

If you work outside the U.S., you may be subject to non-U.S. tax considerations. For more information, see *If You Work Outside the U.S.*

An Example: 401(k) Plan Investment Growth Compared to Non-Plan Personal Savings**Assumptions**

Assume that you earn \$35,000 a year currently. You contribute 7% of your eligible compensation each year to your Merrill Lynch 401(k) Plan account. Merrill Lynch contributes dollar-for-dollar (100%) of the first 4% you contribute. At these rates, you contribute \$2,450 the first year and Merrill Lynch adds another \$1,400. As your eligible compensation increases over time, the dollar amounts you and Merrill Lynch contribute also increase. (Hypothetically, we'll assume your eligible compensation increases 3% each year.)

How Your Savings May Grow

The chart below illustrates how your savings may grow over 25 years on a pretax basis in your 401(k) Plan account, compared to how the same amount of after-tax personal savings may grow outside of the plan. The chart assumes a hypothetical 6% annual rate of investment return and a 25% tax bracket.

This example is for illustrative purposes only. Your actual experience will differ because of varying rates of return, compensation growth, tax rates, number of exemptions and other factors.

Keep in mind that your 401(k) Plan account balance grows more quickly than personal after-tax savings outside of the plan, not only because it grows on a tax-deferred basis but because you may receive Merrill Lynch matching contributions and earnings. In this example, after paying taxes, you would have an additional \$104,190.

Earnings Grow Tax-Free with Roth Contributions

With Roth 401(k) contributions, you contribute "after-tax" compensation - after you have paid federal taxes (and any state or local taxes) on your income. At retirement or termination of employment, if you meet the requirements for a qualified distribution, withdrawal of any investment earnings, as well as your Roth 401(k) contributions, are tax-free. See the Glossary for the definition of qualified distribution. (Residents of Puerto Rico are not eligible to elect Roth contributions.)

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Investing Your 401(k) Account Balance

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- [Selecting Your Investments Upon Enrollment](#)
- [Investing Rollover Contributions](#)
- [Pass Through Dividend Election](#)
- [Changing Your Investment Elections](#)
- [Some Investment Restrictions](#)
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You determine how to invest your 401(k) Plan account balance. The plan offers a number of investment options to help you build your portfolio for your future. In addition, Merrill Lynch Advice Access, accessible through Benefits OnLine® at www.benefits.ml.com, is available to Plan participants and provides portfolio guidance and personalized savings recommendation. For more information on investments, see *Descriptions of Investment Choices*, available on the 401(k) Info Center site, or call the Merrill Lynch Employee Retirement Savings Center at 800-MER-401K to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. If you are outside the U.S., call 609-818-8817 collect to speak with a representative. Prospectuses for the investments are available via Benefits OnLine® at www.benefits.ml.com or by contacting the Merrill Lynch Employee Retirement Savings Center.

Your Investment Responsibilities

Merrill Lynch recognizes that each employee's financial situation is different in terms of goals, desire for potential returns and tolerance for risk. Therefore, the 401(k) Plan allows you to select from diverse investment options that offer varying degrees of risk and potential return.

In general, you have the ability to change your investments daily, both for amounts already invested in your 401(k) Plan account and for future contributions to your 401(k) Plan account, although there are some restrictions on buying and selling the same investment within a 15-business day window or longer if required by the mutual fund (see "Some Investment Restrictions"). You should consult the fund prospectus for further details on any fund-specific trading limitations.

You - not Merrill Lynch or anyone else - are responsible for your investment choices. Plan fiduciaries are not responsible for any losses that are the direct and necessary result of your investment decisions. The 401(k) Plan is designed to comply with section 404(c) of the Employee Retirement Income Security Act of 1974 (ERISA).

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CAN I CHANGE MY INVESTMENT CHOICES?

Yes, you can generally change your investments on a daily basis, by accessing Benefits OnLine® at www.benefits.ml.com or by calling the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. If you are outside the U.S., call 609.818.8817 collect to speak with a representative.

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Selecting Your Investments Upon Enrollment

When you enroll, you must decide how to invest your contributions to your 401(k) Plan account. You can direct the contributions into one investment or divide them among as many of the available investments as you want. You must indicate the percentage you want to allocate to each investment - in whole percentages - and your investment directions must total 100%. Your investment direction will apply to your Pretax, Roth, After-tax, Catch-up, Rollover and After-tax rollover contributions.

Note: If you do not elect any investments - or if your investment direction does not total 100% - your enrollment will not take effect.

With certain restrictions noted above, you can make or change your investment elections daily by accessing Benefits OnLine® at www.benefits.ml.com or calling the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. If you are outside the U.S., call 609.818.8817 collect to speak with a representative.



WHAT IF I DON'T ELECT ANY INVESTMENTS OR MY INVESTMENT DIRECTION DOES NOT EQUAL 100%?

If you do not elect any investments - or if your investment direction does not total 100% - your enrollment will not take effect. Also, if you make changes to your investment direction and they do not total 100%, the changes will not take effect.

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Investing Rollover Contributions

Any Rollover contributions are invested according to your current investment direction unless you make a separate election for your rollover contributions. For more information, see Rollover Contributions.

Pass Through Dividend Election

Merrill Lynch common stock dividends received in your 401(k) ESOP account (established as of May 8, 2003) are 100% vested, regardless of your length of service. You have the option to elect to have these dividends paid directly to you in cash (outside of the plan). If you do not make an election, dividends will continue to be reinvested in additional shares of Merrill Lynch common stock.

If you elect to have your dividends paid out to you as cash rather than reinvested, a check will be mailed to your home each time the plan receives a dividend. No income tax will be withheld on these cash dividends. However, any dividends distributed to you will be taxable as ordinary income to you in the year of payment. You will receive a Form 1099 DIV at the end of January for cash distributions received in the prior year.

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Changing Your Investment Elections

You can make or change your investment elections daily by accessing Benefits OnLine® at www.benefits.ml.com or calling the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. If you are outside the U.S., call 609.818.8817 collect to speak with a representative.

Note: If you change your investment elections and your new elections do not total 100%, your old elections remain in effect.

When Changes Take Effect

If You Want to...	You May Do So...	And the Change Takes Effect...
Transfer all or a portion of the assets in your 401(k) Plan account	Daily	No later than one business day following the day you make the change, unless you're buying or selling Merrill Lynch common stock (in which case it may take up to three additional business days) or buying and selling the same investment (in which case there is a 15-business day restriction, excluding Merrill Lynch Premier Institutional Fund and Merrill Lynch common stock).
Change your investment direction for future contributions	Daily	No later than one business day following the day you make the change.

Some Investment Restrictions

You will be restricted from selling the Merrill Lynch common stock in your 401(k) ESOP account when Merrill Lynch announces earnings. You may also be restricted from selling the Merrill Lynch common stock in your 401(k) ESOP account when Merrill Lynch makes other announcements. For more information about the 24-hour rule, which restricts trading of Merrill Lynch common stock, call Merrill Lynch Compliance at 212.670.0327.

You will also be restricted from buying and selling the same investment within a 15-business day period (or longer if required by the mutual fund) except for amounts held in the Merrill Lynch Premier Institutional Fund and amounts invested in Merrill Lynch common stock.

**ARE THERE ANY INVESTMENT RESTRICTIONS?**

Yes. Some restrictions do exist. For instance, you will be restricted from:

- Buying and selling Merrill Lynch common stock in your 401(k) ESOP account during Merrill Lynch earnings announcements.
- Buying and selling the same investment within a 15-business day period (or longer if required by the mutual fund) except for amounts held in the Merrill Lynch Premier Institutional Fund and amounts invested in Merrill Lynch common stock.

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Voting Rights

Investing Your 401(k) Account Balance

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You have the right to direct plan trustees on how to vote the Merrill Lynch common stock and other investments that have voting privileges in your 401(k) Plan account. You will receive voting instructions before each shareholder meeting. The trustees will follow your instructions in the absence of any extraordinary circumstances.

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ESOP Diversification

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- [Eligibility Requirements and Diversification Options](#)
- [Company Stock Diversification/Withdrawal Requirements from ESOP Accounts](#)
- [Electing to Diversify ESOP Shares](#)

You have the option to diversify the shares of Merrill Lynch common stock ("ESOP Shares") held in your 401(k) Plan account. ESOP Diversification provides you with the flexibility to reinvest the ESOP shares into other assets. In the 401(k) Plan, you can diversify your ESOP shares by transferring to another investment option or, once you reach age 59½, moving the shares to an IRA or brokerage account.

The 401(k) Plan provides an "ESOP Account". The eligibility requirements you must meet before you can diversify or withdraw your ESOP shares are noted in the chart *Company Stock Diversification/Withdrawal Requirements from ESOP Accounts*. For additional information on ESOP shares held in your Retirement Program accounts see *ESOP Diversification* in Retirement Program.

There are several diversification options available to you in the 401(k) Plan that vary according to your employment status and age. You may elect to do any of the following with your *entire vested* account balance in ML stock:

- If you are employed, retired or terminated (regardless of age or years of service), you may:
 - Transfer your ESOP shares to other 401(k) investment options at any time.
- If you are employed and have attained age 59 ½, you may:
 - Rollover all of your ESOP shares to an IRA
 - Transfer all of your ESOP shares to a Merrill Lynch brokerage account
 - Elect payment directly to you for all of your ESOP shares (in-kind only)
- If you have terminated employment, you may:
 - Rollover all of your ESOP shares (or their cash value) to an IRA or tax-qualified retirement plan
 - Transfer all of your ESOP shares to a Merrill Lynch brokerage account
 - Elect payment directly to you for all of your ESOP shares

Note: Your decision to elect a rollover, a transfer to your Merrill Lynch brokerage account or a payment to you may have important tax consequences. For this reason, it is highly recommended that you consult a professional tax advisor before taking a withdrawal. For more information, see Paying Taxes.

Company Stock Diversification/Withdrawal Requirements from ESOP Accounts

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ESOP Diversification

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Account	Withdrawal Restrictions	Must Be at Least age 59 ½ at Time of Withdrawal	Must Have Five Years of Service to Diversify
401(k) ESOP	Yes	Yes	No
Traditional ESOP	Yes	No	Yes
RAP			
ML shares acquired through ML contributions and fund transfers	Yes	Yes	No
ESOP shares transferred from Traditional ESOP	No	N/A	N/A

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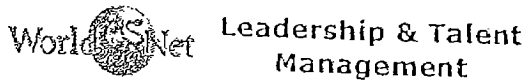
Electing to Diversify ESOP Shares

Once eligible, you may elect to diversify your shares of Merrill Lynch common stock held in your 401(k) Plan by accessing Benefits OnLine® at www.benefits.ml.com or calling the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. If you are outside the U.S., call 609.818.8817 collect to speak with a representative.

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Loans and Withdrawals

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The 401(k) Plan is designed to help you save for your future. However, you may need to access your money while you're working. To provide that access, the 401(k) Plan offers:

- **Loans** – If you meet the requirements, you can borrow from your 401(k) Pretax, Roth and After-tax account. When you take a loan, a portion of the assets in your account(s) is sold and paid to you. As you repay the loan, your repayment is credited to your 401(k) Plan account and invested according to your current investment direction.
- **Withdrawals** – If you meet the requirements, you can take a withdrawal (you can take a withdrawal from your After-tax account at any time). You should note that withdrawals permanently remove assets from your 401(k) Plan account (Pretax and Roth), and generally result in considerable tax consequences.

Note: Withdrawals can have important tax consequences. For more information, see Paying Taxes.

Loans and, generally, withdrawals are paid to you in cash.



CAN I CHOOSE WHICH OF MY INVESTMENTS WILL BE SOLD FOR MY LOAN OR WITHDRAWAL?

No. When you request a loan or withdrawal, assets in your 401(k) Plan account (Pretax and/or Roth) will be sold in the following order: First from your money market investments, then mutual funds (pro rata), and lastly from Merrill Lynch stock (if needed).

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Loans

The loan feature allows you to borrow from your 401(k) Plan account(s) for any reason. You do not need to complete a loan application and you will not incur a processing fee.



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WHERE DOES THE CASH FOR MY LOAN COME FROM?
--

When you request a loan, a portion of the assets in your 401(k) Plan account (Pretax and/or Roth) is sold and paid to you. As you repay the loan, each repayment is credited to your 401(k) Plan account and invested according to your current investment direction.

Eligibility

You are eligible to take a loan if you are a participant in the 401(k) Plan, even if you're on a paid or an unpaid leave or collecting long-term disability benefits from Merrill Lynch. However, you are not eligible to take a loan if you:

- Have two outstanding loans
- Have a pending Qualified Domestic Relations Order (QDRO)
- Have an outstanding defaulted loan balance from the 401(k) Plan
- Have retired or terminated, or
- Are an alternate payee or the beneficiary of a deceased employee.

See the *Glossary* for the definition of QDRO and alternate payee.

If you work outside the U.S., you may not be eligible to take a loan. For more information, see *If You Work Outside the U.S.*

If you work in the U.K., you are not eligible to take a loan. You are, however, still responsible for continuing to repay any outstanding loans.

Note: If you are rehired by Merrill Lynch and have a 401(k) balance, you must enroll in the Merrill Lynch 401(k) Plan before you can request a loan.



HOW MUCH CAN I BORROW FROM MY 401(k) ACCOUNT?

The minimum amount you can borrow is \$1,000. The maximum amount you can borrow is the lesser of:

- | |
|--|
| <ul style="list-style-type: none"> • 50% of your vested 401(k) Plan account balances, reduced by the sum of any loans currently outstanding from the Merrill Lynch 401(k) Plan, or • \$50,000, reduced by the amount of your highest outstanding 401(k) Plan loan balances on any given day during the last 12 full months, under plans maintained by Merrill Lynch or its affiliates. |
|--|

Types of Loans

The 401(k) Plan offers two types of loans:

- **General purpose loans** – For a loan period of one to five years
- **Primary residence loans (only for the purchase of your primary residence)** – For a loan period of one to 15 years.

Note: If you take a primary residence loan, you must retain documentation of your home purchase through **December 31 of the following year**. Merrill Lynch may audit you at any time during that period. For example, if you take a loan from your 401(k) Plan account to purchase a primary residence in 2007, you must retain documentation of the purchase until December 31, 2008.

Maximum Number of Loans

You may have two outstanding loans at any time: either two general purpose loans or one general purpose loan and one primary residence loan. If you have two loans outstanding, you cannot request a new loan until you have repaid one of your existing loans.

If you were an employee of an acquired company and currently have more than two 401(k) loans outstanding, you cannot request a new loan until you have fewer than two loans outstanding.

Loan Amount

When you request a loan, you must indicate a specific dollar amount. The minimum amount you can borrow is \$1,000. The maximum amount you can borrow is the lesser of:

- 50% of your vested 401(k) Plan accounts balance, reduced by the sum of any loans currently outstanding from the Merrill Lynch 401(k) Plan, or
- \$50,000, reduced by the amount of your highest outstanding 401(k) Plan loan balances on any given day during the last 12 full months, under plans maintained by Merrill Lynch or its affiliates.

Interest Rate

The interest rate on your loan will be the prime rate that is published in *The Wall Street Journal* on the last business day of the month prior to your loan request. The interest rate is fixed for the life of your loan.

The interest you pay on your 401(k) loan is not deductible for income tax purposes.

Requesting a Loan

To request a 401(k) Plan loan, access Benefits OnLine® at www.benefits.ml.com or call the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. If you are outside the U.S., call 609.818.8817 collect to speak with a representative. If your loan is approved, a check will be sent to your home.

When your loan is approved, the assets in your 401(k) Plan account are sold in proportionate amounts from all contributions, with the exception of non-vested Merrill Lynch matching contributions.

Note: A portion of the assets in your 401(k) Plan account (Pretax and/or Roth) will be sold first from your money market investments, then pro rata from your mutual funds, and lastly Merrill Lynch stock (if needed).



HOW ARE MY LOAN REPAYMENTS INVESTED?
As you repay the loan, your repayments are credited to your 401(k) Plan account and invested according to your current investment direction.

Loan Repayments

All repayments are made on an after-tax basis, and are invested according to the investment direction you have elected for future contributions to your 401(k) Plan account. If you do not have an investment direction on file, your loan repayments will be invested in the Merrill Lynch Premier Institutional Fund. For more information about the default investment, call the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. If you are outside the U.S., call 609.818.8817 collect to speak with a representative.

Generally, loans are repaid through payroll deductions. In certain cases, however, you may be required to repay your loan by guaranteed funds, which include a bank or certified check (not a personal check or money order). See the *Glossary* for the definition of guaranteed funds. Regardless of your payment method, partial repayments are not accepted. For example, if your loan repayment amount is \$500, a repayment of any amount other than \$500 will not be accepted.



WHAT ARE GUARANTEED FUNDS?

Guaranteed funds include:

- Certified check
- Bank check

You must repay your outstanding loan balance with guaranteed funds. A personal check or money order will not be accepted.



WHAT SHOULD I DO IF MY PAYROLL DEDUCTIONS FOR MY LOAN REPAYMENTS DON'T BEGIN OR STOP?

Payroll deductions generally begin within six weeks after your loan is processed. If the payroll deductions for your loan repayment don't begin or stop, you are responsible for notifying the Employee Service Center at 866.654.7411. You must submit payment via guaranteed funds for any amounts that are not deducted. To determine that amount, you need to contact the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. If you are outside the U.S., call 609.818.8817 collect to speak with a representative.

Repayments through payroll deductions – Payroll deductions generally begin within six weeks after your loan has been processed. The frequency and amount depends on your pay schedule. Loan repayments are deducted from your monthly pay, or – if you are paid bi-weekly – from 24 pay periods, generally the first two pay periods in a month. Repayments are not deducted from bonuses, incentive compensation or commissions. When you arrange your loan, be sure that you will have sufficient income from your pay, after all deductions, to cover your loan repayments.

If the payroll deductions for your loan repayment don't begin or stop, you are responsible for notifying the Employee Service Center at 866.654.7411. If any payments are missed, you must submit guaranteed funds to make your loan whole. A personal check will not be accepted. To determine that amount, you need to contact the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. If you are outside the U.S., call 609.818.8817 collect to speak with a representative.

Repayments by guaranteed funds – You must make monthly loan repayments by guaranteed funds if:

- There is an insufficient amount in your pay to deduct the loan repayment for that pay period.
- You are on unpaid leave.
- You are paid from a Merrill Lynch payroll outside the U.S.
- You are eligible to receive long-term disability payments under the Merrill Lynch Basic Long-Term Disability Plan.

Personal checks and money orders will not be accepted. For more information about how to repay loans by guaranteed funds, access *About the Loan from Your Merrill Lynch 401(k) Plan account*, through the 401(k) Info Center site, or you can call the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. If you are outside the U.S., call 609.818.8817 collect to speak with a representative.

Prepayment of Your Loan

You can prepay your total outstanding loan balance in full with guaranteed funds at any time without penalty. Partial prepayments cannot be made. Personal checks will not be accepted.

To prepay your entire loan, call the Merrill Lynch Employee Retirement Savings Center at 800-MER-401K to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. If you are outside the U.S., call 609.818.8817 collect to speak with a representative to determine the amount of your outstanding loan balance.

For more information about how to prepay loans by guaranteed funds, access *About the Loan from Your Merrill Lynch 401(k) Plan account*, through the 401(k) Info Center site, or you can call the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. If you are outside the U.S., call 609.818.8817 collect to speak with a representative.

Missed Loan Repayments

When you are working at Merrill Lynch and your loan repayments are behind approximately three months, your loan defaults. When your loan defaults, your outstanding loan balance is taxable as ordinary income and is generally subject to an additional tax of 10%. For more information, see the *Special Tax Notice Regarding Plan Payments*, available through the 401(k) Info Center site, or you can call the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. If you are outside the U.S., call 609.818.8817 collect to speak with a representative.

Even if your loan defaults, your loan balance remains outstanding and automatic repayments cease. You can repay the loan at any time with guaranteed funds. Personal checks will not be accepted. Defaulted amounts will be deducted from any benefit payable under the plan from the amount of the 401(k) Plan account pledged as security for the loan.

Once your loan defaults, you are not able to request a new loan until the defaulted loan is completely repaid.

Retirement, Termination or Death

If you have an outstanding loan balance when you retire, terminate or die, payroll deductions stop as soon as practicable. It is up to you (or your beneficiary) to repay your outstanding loan balance **with guaranteed funds within 90 days** of your retirement, termination or death.

If your entire loan balance is not repaid with a full payment **within 90 days** of your retirement, termination or death, your outstanding loan balance will be called and will be taxable as ordinary income and may also be subject to an additional tax of 10%.

If your loan is called, it may affect your (or your beneficiary's) ability to take advantage of favorable tax treatment. For more information, see *Paying Taxes*.



IF I LEAVE MERRILL LYNCH DO I HAVE TO REPAY MY LOAN?
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Yes. If you have an outstanding loan when you leave, you must repay the loan in full, with guaranteed funds. If you do not repay the loan within 90 days of your retirement or termination, the loan will be called and will be treated as a taxable distribution.

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Withdrawals

In addition to loans, the 401(k) Plan offers several withdrawal options to provide access to your savings while you are working at Merrill Lynch. Any outstanding loan balances are not available for withdrawal.

Note: Generally, withdrawals are taxable as ordinary income and are subject to an additional tax of 10%. For more information, see [Paying Taxes](#).

If you work outside the U.S., you may not be eligible for a withdrawal. If you work in a country where you are eligible to take a withdrawal, you may be subject to non-U.S. tax considerations. For more information, see [If You Work Outside the U.S.](#)

If you work in the U.K., you are not eligible to take a withdrawal.

ESOP Withdrawal Options

Generally, you are allowed to withdraw your company stock once you meet the requirements depicted in the chart below:

Company Stock Diversification/Withdrawal Requirements from ESOP Accounts

Account	Withdrawal Restrictions	Must Be at Least age 59 ½ at Time of Withdrawal	Must Have Five Years of Service to Diversify
401(k) ESOP	Yes	Yes	No
Traditional ESOP	Yes	No	Yes
RAP			
ML shares acquired through ML contributions and fund transfers	Yes	Yes	No
ESOP shares transferred from Traditional ESOP	No	N/A	N/A

Hardship Withdrawals

A hardship withdrawal provides access to your 401(k) Plan account balance under specific circumstances, provided your situation meets the hardship withdrawal requirements. Hardship withdrawals are paid as cash.

Hardship Withdrawal Eligibility

To be eligible for a hardship withdrawal, you must have obtained all distributions and loans currently available

Loans and Withdrawals

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under all plans maintained by Merrill Lynch (or its affiliates) which includes taking the following action:

- You must have two loans outstanding or have borrowed the maximum amount allowed from your 401(k) Plan before you can request a hardship withdrawal.
- If you have the following accounts, you must take a distribution before you can request a hardship withdrawal:
 - Employee Stock Purchase Plan
 - Vocon
 - Deferred Profit Sharing
 - 401(k) Plan After-Tax
- If you meet eligibility requirements for diversification / withdrawal of your ESOP shares held in the following accounts, you must take a distribution before you can request a hardship withdrawal:
 - Employee Stock Ownership Plan (Traditional ESOP)
 - 401(k) ESOP
 - Retirement Accumulation Plan ESOP
- Have the pass through dividends paid to you in cash (outside of the plan).
- Certify that you have an immediate and heavy financial need (as defined by IRS guidance) that necessitates a hardship withdrawal.
- Certify that you have no other withdrawals and loans available under all plans.

Additional Hardship Withdrawal Information:

- The requested amount cannot be greater than the documented amount of the hardship expense plus the amount required to pay the taxes and penalties as a result of the withdrawal.
- All contributions to the 401(k) Plan and Employee Stock Purchase Plan will be suspended for six months following the distribution.
- If a hardship withdrawal is approved, dividends generated from the ESOP accounts (401(k), RAP and ESOP) will be paid as cash distributions (outside of the plans) for the full six-month duration of the hardship withdrawal suspension.

Circumstances That Qualify for a Hardship Withdrawal

If you request a hardship withdrawal, you must provide documentation to support your request. You may apply for a hardship withdrawal to pay for the following expenses only:

- Purchase of your primary residence (excluding mortgage payments).
- Tuition, room and board and related educational fees for you, your spouse or domestic partner, or your dependents, for up to 12 full months of post-secondary education.
- Medical or dental expenses in excess of \$500 that are incurred by you, your spouse or domestic partner, or your dependents, that are not reimbursable from any other source or that must be paid in advance for the patient to receive care.
- Expenses to prevent eviction from or foreclosure on your primary residence.
- Your unreimbursed expenses for damages from natural disasters such as earthquakes, tornadoes, hurricanes or floods.
- Expenses to provide shelter if a natural disaster, incidents of domestic abuse or any unforeseen event has made your primary residence uninhabitable.
- Adoption expenses that would qualify under the Merrill Lynch Adoption Assistance Program. The expenses either must not be reimbursable to you from any other source, including the Merrill Lynch Adoption Assistance Program, or must be paid in advance to complete the adoption.
- Funeral expenses for your deceased spouse or domestic partner, your dependents or the children or parents of you and/or your spouse or domestic partner.

Note: You must apply for a hardship withdrawal before paying the expense. A hardship withdrawal cannot be used to reimburse yourself for expenses which you have already paid.

For more information on the Merrill Lynch Adoption Assistance Program, see Adoption Assistance under

Employee Programs. See the *Glossary* for the definitions of spouse, domestic partner and dependent.



CAN I APPLY FOR A HARDSHIP WITHDRAWAL IF I AM ELIGIBLE TO TAKE OUT A LOAN FROM MY 401(K) PLAN ACCOUNT?

No. You must first have two loans outstanding or have borrowed the maximum amount allowed before you can request a hardship withdrawal.

Payment Options

Hardship withdrawals are paid as cash. Your options are:

- Payment to you
- Transfer to your Merrill Lynch brokerage account

How to Apply for a Hardship Withdrawal

Call the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. Outside the U.S., call 609.818.8817 collect to speak with a representative. A representative will:

- Determine the amount you have available for a hardship withdrawal, and
- Send you a 401(k) Hardship Withdrawal Application Form. This form is also available on the Lead Management (LTM) website.

You can apply for a hardship withdrawal at any time **before the expense is actually paid**, provided your circumstances meet the hardship withdrawal requirements.



CAN I APPLY FOR A HARDSHIP WITHDRAWAL FOR REIMBURSEMENT OF A QUALIFYING EXPENSE THAT I HAVE ALREADY PAID?

No. You must apply for a hardship withdrawal **before** paying the qualifying expense.

When you complete the 401(k) Hardship Withdrawal Application Form, you must:

- Submit proof of your financial hardship along with your completed form to the Merrill Lynch Retirement Group.

Merrill Lynch Retirement Group
1400 Merrill Lynch Drive
04-B5-PRO
Pennington, NJ 08534

Proof may include copies of bills, estimates, foreclosure notices and statements. To find out what proof is required, call the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015).

- Indicate the amount of your withdrawal as a specific dollar amount. The withdrawal may not exceed the amount of the expense.

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the financial need plus an additional 33% to help cover anticipated income taxes.

- Certify in writing that you have no other money available from other Merrill Lynch retirement accounts, such as a Vocon or Deferred Profit Sharing account.

Note: Your request for a hardship withdrawal is subject to the approval of the Administrative Committee. **Do not make financial commitments until your withdrawal application is approved. You cannot be reimbursed for paid expenses.**

If your hardship withdrawal is approved, the processing of your withdrawal will generally be completed within two weeks after the approval. The assets in your account will be sold as follows:

- First, proportionately from your rollover contributions and associated earnings and vested Merrill Lynch matching contributions and associated earnings,
- Then, from your Pretax (including Catch-up) contributions (but not their earnings).

Note: The assets in your 401(k) Plan account (Pretax and/or Roth) will be sold as follows: First from money market investments, then pro rata from your mutual funds, and lastly Merrill Lynch stock (if needed).

If your withdrawal is not approved or if the application is incomplete, you will be notified within approximately one week following receipt of your application.

Penalties

If you receive any of your 401(k) contributions as part of your hardship withdrawal, the following penalties apply to various plans in which you may participate:

401(k) Plan

All Pretax, Roth, After-tax and Merrill Lynch Matching contributions are suspended for six full months following your withdrawal. Your contributions automatically resume the month following the end of the six-month suspension period at your contribution rate in effect at that time.

Employee Stock Purchase Plan (ESPP)

All ESPP contributions are suspended for at least six full months following your hardship withdrawal. Your ESPP contributions will resume automatically after your suspension period at the rate you elected.

Long-Term Incentive Compensation Program

You may not exercise any stock options (other than a cashless exercise) for six full months following your hardship withdrawal. You may resume using all methods available to you to exercise your stock options following the end of your six-month suspension period.

Deferred Compensation Plan

You may not defer compensation for at least six full months following your hardship withdrawal. Future participation may also be affected. You may elect to resume deferring your compensation during the next enrollment period following the end of your six-month suspension period.



IS THERE A PENALTY TAX FOR AN EARLY WITHDRAWAL?
You generally pay an additional 10% tax for any withdrawal you receive before you reach age 59½.

Nonhardship Withdrawals

Loans and Withdrawals

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Nonhardship withdrawals allow you to withdraw available amounts from your 401(k) Plan account for any reason. Before age 70½, withdrawals are paid only as cash. Once you reach age 70½, other payment options become available.

Your Withdrawal Options

The following chart shows the amount you may withdraw and your payment options:

If, at the Time of Withdrawal, You Are	You May Withdraw ¹	You May Elect ²
Younger than age 59½ with less than five years of plan participation	<ul style="list-style-type: none"> A specific dollar amount not to exceed your rollover contributions and earnings. 	<ul style="list-style-type: none"> Payment to you Transfer directly to your Merrill Lynch brokerage account Rollover to your Merrill Lynch or non-Merrill Lynch IRA or to a tax-qualified retirement plan that will accept your rollover.
Younger than age 59½ with five or more years of plan participation	<ul style="list-style-type: none"> A specific dollar amount not to exceed your rollover contributions and earnings, and Merrill Lynch matching contributions and earnings. 	All of these are paid as cash.
At least age 59½ ³ , or you are eligible to receive payments under the Merrill Lynch Basic Long-Term Disability Plan	<ul style="list-style-type: none"> Any dollar amount up to your vested account balance, or 100% of your vested account balance. 	
At least age 70½ ^{3, 4}	<ul style="list-style-type: none"> Any dollar amount up to your vested account balance, or 100% of your vested account balance. 	<ul style="list-style-type: none"> Payment to you as cash or Merrill Lynch common stock and cash Transfer to your Merrill Lynch brokerage account as cash, Merrill Lynch common stock and cash or in-kind Rollover to your Merrill Lynch IRA as cash, Merrill Lynch common stock and cash or in-kind Rollover to your non-

		Merrill Lynch IRA or to a tax-qualified retirement plan that will accept your rollover, as cash.
<p>¹The assets in your 401(k) Plan account are sold in proportionate amounts from your available contributions and earnings to provide cash for your nonhardship withdrawal. Note: The assets in your 401(k) Plan account (Pretax and/or Roth) will be sold as follows: First from money market investments, then pro rata from your mutual funds, and lastly Merrill Lynch stock (if needed).</p> <p>²If you elect a direct rollover to a non-Merrill Lynch IRA or a tax-qualified retirement plan, a check will be sent to your home made payable to the financial institution or plan you have selected.</p> <p>³An employee at least age 59½ may elect to withdraw in-kind all, but not less than all, of his/her vested account balance held in company stock.</p> <p>⁴If you elect Merrill Lynch common stock and cash, any whole shares of Merrill Lynch common stock in your account will be paid in-kind. All other investments in your account will be sold and paid as cash.</p> <p>⁵If you elect an in-kind transfer or rollover to your Merrill Lynch account, all of the eligible investments in your 401(k) Plan account will be transferred in-kind into your Merrill Lynch account. Ineligible investments will be sold and transferred as cash. (Because of legal and/or operational issues, some investments cannot be delivered in-kind to your Merrill Lynch account.) See the <i>Glossary</i> for a definition of in-kind.</p>		

*After tax contributions and their associated earnings may be withdrawn at any time. A 10% penalty tax may apply for withdrawal of interest and earnings prior to age 59 ½.

If you work in Puerto Rico and you elect a nonhardship withdrawal, you must withdraw 100% of the amount available to you in your 401(k) Plan account. Your 401(k) contributions will automatically be suspended for six months. For more information, see If You Work in Puerto Rico.

How to Apply for a Nonhardship Withdrawal

You may apply for a nonhardship withdrawal at any time, provided you have not received any type of withdrawal from the plan during the previous 12 full months. For example, if you receive a withdrawal in July 2007, you can apply for a nonhardship withdrawal in August 2008.

Call the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. If you are outside the U.S., call 609.818.8817 collect to speak with a representative. A representative will:

- Determine the amount you have available for a nonhardship withdrawal, and
- Take your request for a nonhardship withdrawal.

The processing of your withdrawal generally is completed within two weeks after your request.

Things to Do or Consider When Electing a Rollover for Your Nonhardship Withdrawal

Keep in mind, you may elect to roll over all or a portion of your nonhardship withdrawal to your IRA or a tax-qualified retirement plan and choose a non-rollover option (i.e., payment to you or transfer to your Merrill Lynch brokerage account) for the remainder.

If you are at least age 70 ½, you may also elect to roll over specific investments to your IRA or a tax-qualified

retirement plan, and choose a non-rollover distribution option (i.e., payment to you or transfer to your Merrill Lynch brokerage account) for the remainder. In addition, if you are at least age 70 ½ and you split your election, you may choose different payment methods for each portion. For example, you could elect to transfer the Merrill Lynch common stock in your 401(k) Plan account to your Merrill Lynch brokerage account and have the remainder of your withdrawal transferred as cash to your Merrill Lynch IRA.

For a Rollover to an IRA

Be sure to consider:

- If you elect a direct rollover to your IRA, you must establish the IRA before you make your withdrawal elections.
- You cannot elect to roll over your withdrawal to a Roth IRA.
- You cannot rollover amounts paid to you as a result of a hardship withdrawal.

For a Rollover to a Tax-Qualified Retirement Plan

Before you elect to roll over your withdrawal to another retirement plan, you should confirm that the plan is tax-qualified and that it will accept a rollover on your behalf.

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Updated July 2007

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Receiving a Distribution at Retirement or Termination

On This Page:

- [Making Your Distribution Elections](#)
- [When Your Distribution Begins](#)
- [Net Unrealized Appreciation](#)

When you retire or terminate, you decide what you want to do with your vested 401(k) Plan account balance. You may choose:

- Deferral of your distribution until a later date, subject to certain age restrictions
- Transfer to your Merrill Lynch brokerage account
- Rollover to your IRA or a tax-qualified retirement plan
- Payment to you
- Purchase of an annuity
- Combination of the above.

See the *Glossary* for the definition of an annuity.

Distributions can have important tax consequences. For more information, see *Paying Taxes*.

Note: If you have an outstanding loan when you leave, you must repay the loan in full with guaranteed funds. If you do not repay the loan **within 90 days** of your retirement or termination date, the loan will be called and will be treated as a taxable distribution. For more information, see *Retirement, Termination or Death under Loans and Withdrawals*.

The Internal Revenue Code mandates that, if you no longer work for Merrill Lynch or an affiliate, distributions of your plan benefits must begin by April 1 of the year that follows the year in which you turn age 70 ½. If you are still working at age 70 ½, distributions need not begin until your employment with Merrill Lynch or an affiliate ends.



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IF I LEAVE MERRILL LYNCH DO I HAVE TO REPAY MY LOAN?

Yes. If you have an outstanding loan when you leave, you must repay the loan in full. If you do not repay the loan **within 90 days** of your retirement or termination, the loan will be called and will be treated as a taxable distribution.

Receiving a Distribution at Retirement or Termination




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[Back to Top](#)**Making Your Distribution Election**

When you retire or terminate, information about your distribution options will be sent to you. To make a distribution election, access Benefits OnLine® at www.benefits.ml.com or call the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. If you are outside the U.S., call 609.818.8817 collect to speak with a representative.

Note: If you choose not to take a distribution, no action is necessary. You may continue to direct the investments in your account.

The following chart summarizes your distribution options and the steps for making your elections.

 Step One: Determine When You Need Your Savings	 Step Two: Choose a Distribution Option	 Step Three: Choose a Type of Payment		
		Cash	In-kind Securities	Merrill Lynch Common Stock & Cash
NOW You pay taxes now on the amount you receive.	Payment to you ¹	<input checked="" type="checkbox"/>	N/A	<input checked="" type="checkbox"/>
	Transfer to your Merrill Lynch brokerage account ¹	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Transfer to your non-Merrill Lynch brokerage account	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	Purchase an annuity and begin payment immediately ²	<input checked="" type="checkbox"/>	N/A	N/A
LATER You continue to defer taxes.	Direct rollover to:			
	• Your Merrill Lynch IRA	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
	• Your non-Merrill Lynch IRA	<input checked="" type="checkbox"/>	N/A	<input checked="" type="checkbox"/> ³
	• A tax-qualified retirement plan	<input checked="" type="checkbox"/>	N/A	<input checked="" type="checkbox"/> ³
	Defer distribution of account balance – Not available if you retire on or after age 70½.	N/A	N/A	N/A
Cash – The investments in your account will be sold and paid as cash. If you elect a direct rollover to a non-Merrill Lynch IRA or a tax-qualified retirement plan, a check will be sent to your home made payable to the financial institution or plan you have selected.				
In-kind Securities – All of the eligible investments in your account will be transferred in-kind into your brokerage account. Ineligible investments will be sold and transferred as cash. (Because of legal and/or operational issues, some investments cannot be delivered in-kind to your Merrill Lynch account.) See the <i>Glossary</i> for the definition of in-kind.				

Merrill Lynch Common Stock & Cash - Any whole shares of Merrill Lynch common stock in your account will be paid in-kind. All other investments in your account will be sold and paid as cash. If you elect a direct rollover to a non-Merrill Lynch IRA or a tax-qualified retirement plan, a stock certificate and/or a check will be sent to your home made payable to the financial institution or plan you have selected.

¹If eligible, you can elect to take advantage of favorable tax treatment (e.g., net unrealized appreciation of Merrill Lynch common stock you receive). For more information, see the *Special Tax Notice Regarding Plan Payments*, available through the 401(k) Info Center site or call the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. If you are outside the U.S., call 609.818.8817 collect to speak with a representative.

²You pay taxes on the monthly amounts you receive.

³Provided the other financial institution or tax-qualified retirement plan accepts Merrill Lynch common stock.



HOW LONG DO I HAVE TO MAKE MY DISTRIBUTION DECISION IF I RETIRE OR TERMINATE?

Within six months after you retire or terminate, you should make your elections by calling the Merrill Lynch Employee Retirement Savings Center at 800.MER.401K (800.637.4015) to speak with a representative. Representatives are available 7:00 am to 8:00 pm Eastern time any business day the New York Stock Exchange is open. If you are outside the U.S., call 609.818.8817 collect to speak with a representative.

A Word about Residual Contributions and Earnings

Residual contributions and earnings are contributions and earnings credited to your 401(k) Plan account after your 401(k) Plan account has been distributed. They are automatically paid out to you as cash according to the distribution option you selected (i.e., payment to you, transfer to a Merrill Lynch brokerage account, rollover to a Merrill Lynch or non-Merrill Lynch IRA or rollover to a tax-qualified retirement plan).

Things to Do or Consider When Taking a Distribution from Your 401(k) Plan Account

The following addresses things to do or consider before making your distribution election.

If You Elect to Roll Over Your Distribution

Keep in mind, you may elect to roll over a portion of, or specific investments in, your 401(k) Plan account to your IRA or a tax-qualified retirement plan, and choose a non-rollover distribution option (i.e., payment to you, transfer to your Merrill Lynch brokerage account or purchase of an annuity) for the remainder.

In addition, if you split your election, you may choose different payment options for each portion. For example, you could elect to transfer the Merrill Lynch common stock in your 401(k) Plan account to your Merrill Lynch brokerage account and have the remainder of your account balance transferred in-kind to your Merrill Lynch IRA. See the *Glossary* for the definitions of annuity and in-kind. Be sure to consult a professional tax advisor before taking any action.

To an IRA

Be sure to consider:

- If you elect a direct rollover from your 401(k) Plan account to your IRA, you must establish the IRA before you make your distribution election.
- You cannot elect to roll over your distribution to a Roth IRA.
- If you're taking a distribution during the year in which you reach age 70½ or later, you cannot